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STATEMENT OF LAWRENCE K. GROSSMAN
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION
EN BANC HEARING ON DIGITAL TELEVISION

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November 28, 1995

I speak as a former executive of both commercial and public television, and as author of a recently published book, "THE ELECTRONIC REPUBLIC, Reshaping Democracy in the Information Age." The book analyzes how interactive telecommunications technologies are transforming our political system into a new form of government that combines both direct democracy and representative rule. The sea changes in telecommunications are fundamentally altering not only how we are governed but also how we live.

Clearly, present-day advances in telecommunications technology require a basic re-evaluation of the traditional regulatory schemes that have governed broadcasting since the Communications Act of 1934. I congratulate the Commission for holding these en banc hearings that seek to make Federal policy appropriate for the digital age.

It is increasingly apparent that, apart from face-to-face encounters, virtually all human communications are turning digital. Digital telecommunications offer striking new efficiencies in spectrum use and extraordinary, although still largely untested, new commercial opportunities. The arrival of

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the digital era, it seems to me, gives both the Congress and the FCC the opportunity to accomplish three vitally important telecommunications priorities:

First, to free broadcasting at last from outmoded government-imposed content supervision. It is time to do away with regulation based on the public trusteeship model that applies to broadcasting alone among all media and that places broadcasters on a lower First Amendment footing than the rest of the press, print or electronic. Such government supervision has First Amendment strains and is an anomaly, as the Supreme Court has recognized. Neither newspapers, magazines, cable, DBS, videocassettes, nor the Internet is saddled with government-imposed content supervision.

Technological change has turned the radio spectrum into an enormously valuable public resource with vastly increased potential to fulfill social needs and consumer demands. With more than 11,500 radio broadcast stations and new satellite radio services coming, with 1500 full power TV stations and a digital future enabling four to six TV channels to be broadcast for every one that now exists, with cable providing hundreds of channels, with DBS offering 150 digital channels, with digital MMDS and LMDS ahead, with the growth of VCRs and CD-ROMS, with the rise of the Internet and other on-line services, it is hard to understand why Federal content regulation should continue to be imposed on broadcasting alone, or why broadcasters should enjoy special government-granted economic privileges.

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In fact, in this day and age such regulation makes no sense, doesn't work and should be abandoned. With so much video abundance, the public trusteeship regulatory scheme will be even less meaningful in the years ahead. Deregulation has virtually freed broadcasting of its distinctive public service responsibilities. It is time to end the myth that broadcasters are public trustees. And it is time to end their special economic privileges that go along with the myth of public trusteeship. Broadcasters should be able to carry whatever they wish and use the spectrum as they see fit. And like everyone else, broadcasters should pay license fees for the valuable radio spectrum they exploit for commercial purposes. They should also pay transfer fees when valuable spectrum licenses are bought and sold.

Second, the Congress and the FCC should let the people -- the consumers themselves rather than government officials -- decide what are the best uses of the spectrum, what new commercial services should be introduced and how best to utilize the nation's airwaves. The marketplace is a far more efficient and adaptable mechanism than the government in determining how best to use the public's radio spectrum. Broadcasters should be free to shift to the digital mode and they should have the flexibility not only to operate as broadcasters but also to make the best use of their bandwidth to engage in other, non-broadcast services.

Third, in what could be the present-day equivalent of

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the 19th century's inspired Land Grant College Act, Congress and the FCC have the opportunity to add an entirely new dimension to public education in this country, one especially appropriate for use in the information age. The FCC has already demonstrated that billions of dollars can be raised by auctioning radio spectrum to the highest bidders. Some of the money should be earmarked to reduce the Federal deficit. The rest should go to finance a new educational and public service telecommunications trust fund suitable for the 21st century.

The money from spectrum auctions can pay the cost of interconnecting grade schools, secondary schools, universities, libraries, museums and even homes to an interactive educational telecommunications network for the benefit of all citizens, young and old. The new trust fund can serve children with quality TV programming, while also providing job training and continuing education for adults. It can support the underfunded Ready-to-Learn satellite and programming service. It can offer civic information and free public airtime for discussions of critical issues. And as part of this effort, the educational telecommunications trust fund can help reinvigorate and modernize the nation's public broadcasting system for the 21st century.

To accomplish all this, the six megahertz, which in 1992 were originally designated to be given to broadcasters for the development of High Definition Advanced TV, should instead be auctioned off to the highest bidders. Voices on every side of the political spectrum, including the Wall Street Journal and The

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New York Times, have made the point that giving away another six megahertz of valuable spectrum to broadcasters for the uncertain purpose of converting to HDTV, would be nothing less than a national scandal. Today, no prototype for a popularly priced HDTV set even exists. Nor are consumers demonstrating any real interest in HDTV. If carried out, it would be a multi-billion dollar give-away that will benefit only the wealthy.

To accommodate broadcasters' digital TV channel needs, the FCC should require the winning bidders in the spectrum auction to make available the necessary bandwidth to carry a parallel digital TV channel free of charge for any TV broadcaster who wants to transmit one. This can be done because the transmission of a single digital TV channel will require only a small amount of bandwidth, far less than the six megahertz that each analog channel now must have. In the digital era, six megahertz will be able to carry as many as six separate digital TV channels, while at the same time accommodating other lucrative commercial applications such as paging, data transmission and telephony.

The policy of giving added bandwidth for one digital TV channel to existing broadcasters also will serve the best interest of the nation's smaller broadcasters. Many of them say they cannot afford to spend the capital they will need to convert to HDTV, or to bid for new spectrum space.

Licensing the spectrum for digital telecommunications holds enormous commercial promise. Six megahertz can distribute up to six TV channels, or 70 radio stations, and also have the capacity

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to deliver the entire contents of The New York Times in about five seconds. At a recent Senate Commerce Committee hearing on spectrum auctions financial experts testified that the six additional megahertz originally set aside for use by broadcasters for HDTV, if auctioned off, would produce significantly more than \$30 billion for the Federal treasury. Some anticipated a considerably larger financial return. Even if the value of the six megahertz will be reduced by some 20 percent to accommodate the broadcasters who want to transmit a digital TV channel, a spectrum auction should still bring in at least \$25 billion, a potentially huge public dividend.

Most of that sum can be applied to reduce the federal deficit. The rest should be used to seed the new trust fund for educational and public service telecommunications, much as Congress did in 1862 with the Land Grant Colleges Act. Today's unused telecommunications spectrum can be considered the equivalent of the unused public lands of a century ago. Then, Congress had the foresight to authorize the sale of public lands to finance new state universities. That Act produced the Massachusetts Institute of Technology, Cornell, Ohio State, the Universities of Illinois, Wisconsin, Nebraska and many others.

Back in 1992, it was hoped that 15 years would be enough time for the nation to convert its television sets to receive High Definition Advanced TV. Today, neither the FCC, the Congress, nor anyone else knows what new television services customers will want or what spin offs from digital delivery

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technology will be the most suitable. The only sensible policy, therefore, is to let the marketplace decide how the technology should develop, rather than decide now to give broadcasters six additional megahertz free and require them to return their analog channels in 15 years, a prospect that is unlikely to happen in any event. There is plenty of time to figure out later exactly what to do with the broadcasters' spectrum presently in use for analog TV channels.

Broadcasters should have every incentive to convert to digital from analog TV because digital's more efficient use of the spectrum will open up many more television channels and will enable them to exploit other commercial communications services as well. When broadcasters do convert to digital, the Telecommunications Act provides that they will pay license fees for their new opportunities to offer commercial services over-the-air, beyond broadcasting itself. Cable operators pay up to five percent of gross revenues for their municipal franchises and for using the public streets to string their wires. Others, including broadcasters, who exploit the spectrum for commercial purposes, should not be immune from paying appropriate fees.

Auctioning off spectrum licenses on condition that each television broadcaster will get enough bandwidth for a parallel digital TV channel, will allow new telecommunications services to develop for the public's benefit. It will assure the most efficient use of the public airwaves. It will lower prices in the communications marketplace. It will help reduce the Federal

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deficit. And it will give Congress and the FCC the opportunity to open up an exciting new frontier of telecommunications technology for education, civic information and public service -- to benefit the entire nation.

Thank you.

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VITA

President, Brookside Productions & Horizons Cable	Current
Senior Fellow, Gannett Center for Media Studies, Columbia University	1989-1991
Frank Stanton Chair on the First Amendment, John F. Kennedy School of Govt. Harvard	1989
President, NBC News	1984-1988
President and CEO, Public Broadcasting Service	1976-1984
President, Lawrence K. Grossman, Inc.	1966-1976
President, Forum Communications, Inc.	1968-1976
Vice President, Advertising, NBC	1962-1966
Advertising Department, CBS Television Network	1956-1962
Promotion Department, LOOK Magazine	1953-1956

HONORS

Distinguished Visiting Professor, University of Miami	1993
Ralph Lowell Award for Public Service to Public Broadcasting	1984
John Jay Award for Distinguished Public Service, Columbia University	1983
Phi Beta Kappa, Columbia University	1952

PUBLICATIONS

"The Electronic Republic"	Current
Viking/Penguin and 20th Century Fund	
"Reflections on Life Along the Electronic Superhighway"	
Media Studies Journal	Winter 1994
"Learning to Live with Electronic Democracy,"	
The Donald McGannon Lecture, Fordham University	1992
"The First Amendment in the Cable and Satellite Age"	
Columbia Journalism Review	1991
"Television News in the Next War"	
Nieman Reports, Harvard University	1991
"American Television: Beyond the Wasteland,"	
American Experience Lecture, Univ. of Pittsburgh	1991
"The Role of Public Service Television in a Multi-Channel World," Universite de Montreal	1990
"The Murrow Legacy," Washington State University	1990
"The Best Seat in the House? -- Television and the Arts," Gannett Center Journal, Winter	1990
"Reflections on Television's Role in American Presidential Elections," Kennedy School of Govt.	1990
"Television and Terrorism: A Common Sense Approach,"	
Terrorism, Violence and Insurgency Report, Rand	1987
"Somehow It Works, A Candid Portrait of the 1964 Presidential Election," Doubleday	1965

EDUCATION

B.A., Columbia College, New York City	1952
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